

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY WELLINGTON

INFO AMEMBASSY ROME

ADC ENT AFB COLO

14TH AEROF ENT AFB COLO

C O N F I D E N T I A L STATE 067121

E.O. 11652:GDS

TAGS: MARR, TSPA, NZ

SUBJECT: CIVILIAN OPERATION OF BAKER-NUNN STATION

REFS: (A) WELLINGTON 377; (B) STATE 27786

1. GNZ POSITION REPORTED (REF A) THAT USG CONTRACTOR
AND CONTRACTOR PERSONNEL ARE NO DIFFERENT THAN OTHER
PRIVATE COMPANIES OR INDIVIDUALS OPERATING OR WORKING
IN NEW ZEALAND APPEARS TO OVERLOOK FACT THAT ANY NEW
ZEALAND TAXES OR DUTIES ASSESSED AGAINST THE CONTRACTOR
OR HIS US CITIZEN EMPLOYEES WOULD BE PASSED ON TO USG
AS A COST OF CONTRACT. THE BURDEN OF SUCH TAXATION
WOULD FALL ON USG AND WOULD BE CONTRARY TO LONGSTANDING
CONGRESSIONALLY MANDATED POLICY THAT US DEFENSE EX-
PENDITURES SHOULD NOT BE SUBJECT TO TAXATION BY HOST
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GOVERNMENT . SINCE USE BY US FORCES OF CONTRACTORS

TO OPERATE AND MAINTAIN FACILITIES AND PROVIDE OTHER SERVICES AT OVERSEAS INSTALLATIONS HAS INCREASED GREATLY IN LAST DECADE OR SO, USG HAS CONSISTENTLY SOUGHT AND OBTAINED APPROPRIATE TAX AND DUTY EXEMPTIONS FROM HOST GOVERNMENTS IN STATUS OF FORCES AND SIMILAR AGREEMENTS (E.G., SEE ARTICLE XIV OF JAPANESE SOFA (T.I.A.S. 4510); ARTICLE XV OF KOREAN SOFA (T.I.A.S. 6127); AND ARTICLE XII OF TAIWAN SOFA (T.I.A.S. 5986)). ADDITIONALLY, AMEMBASSY ROME HAS EXPRESSED THE VIEW

THAT "TECH REP STATUS" WILL PROBABLY BE OBTAINABLE FOR ANY U.S. CITIZEN CONTRACTOR PERSONNEL WHO MIGHT BE EMPLOYED IN O AND M OF BAKER-NUNN FACILITY IN ITALY, THUS ENTITLING SUCH PERSONNEL TO SAME EXEMPTIONS FROM ITALIAN TAXES AND DUTIES ENJOYED BY US CITIZEN CIVILIAN EMPLOYEES OF US FORCES.

2. PARA 1 ABOVE IS BACKGROUND PROVIDED FOR EMBASSY'S USE IN ITS DISCUSSIONS WITH MFA ON TAX EXEMPTION ISSUE. NUNN AND ASSOCIATES HAS BEEN SOLICITED FOR A PROPOSAL ON THE OPERATION OF THESE FACILITIES (REF B). BUT NO DECISION WILL BE MADE ON CIVILIAN OPERATION OF STATIONS UNTIL CAREFUL STUDY OF COST AND OTHER FACTORS HAS BEEN COMPLETED. IN ASSESSING COSTS IT WOULD BE HELPFUL IF EMBASSY COULD PROVIDE INFORMATION ON GNZ TAX AND DUTY RATES THAT WOULD BE APPLICABLE TO CONTRACTOR IF GNZ MAINTAINS PRESENT POSITION. IN OBTAINING SUCH INFORMATION, EMBASSY SHOULD BE CAREFUL TO AVOID ANY INFERENCE THAT USG IS ACQUIESCING IN GNZ POSITION.

3. REPRESENTATIVES OF NUNN AND ASSOCIATES MIGHT VISIT NEW ZEALAND (AS WELL AS ITALY) IN NEAR FUTURE TO OBTAIN DATA NECESSARY FOR SUBMISSION OF A PROPOSAL. USAF HAS ADVISED NUNN AND ASSOCIATES TO COORDINATE ITS ACTIVITIES IN BOTH COUNTRIES WITH AMERICAN EMBASSY.

4. DEPARTMENT AND DOD WOULD PREFER TO DEFER CONSIDERATION OF USING EXCHANGE OF LETTERS IN LIEU OF CONFIDENTIAL

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FORMAL AMENDMENT TO MOU, IN EVENT DECISION MADE TO SWITCH TO CONTRACTOR OPERATION, UNTIL SUCH TIME AS GNZ-USG AGREEMENT IN PRINCIPLE TO THAT EFFECT IS REACHED. KISSINGER

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